

Message Text

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12-R
ACTION NEA-10

INFO OCT-01 ISO-00 /011 W
----- 016759

R 231226Z DEC 75
FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 1717
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA

C O N F I D E N T I A L SECTION 1 OF 2 MUSCAT 1432

DEPT FOR NEA/ARP

E.O. 11652: GDS
TAGS: PFOR MU
SUBJECT: ANNUAL POLICY ASSESSMENT AND COUNTRY GUIDANCE PAPER

REF: (A) MUSCAT A-20 OF MARCH 30, 1975
(B) STATE 268352

1. SUMMARY: THIS MESSAGE UPDATES OUR FIRST POLICY ASSESSMENT (REFERENCED AIRGRAM), ON WHICH WE HAVE RECEIVED NO COMMENTS OR REACTIONS FROM DEPARTMENT. THIS WILL TAKE PLACE OF POLICY ASSESSMENT FOR 1976 IN ACCORDANCE WITH PARA 2 OF REFTEL B. END SUMMARY.

2. OVERVIEW: THERE HAS BEEN VERY SIGNIFICANT PROGRESS AGAINST REBELS IN DHOFAR, EVEN MORE THAN PREDICTED LAST MARCH. AS OF DEC. 11, SULTAN QABOOS FORMALLY PROCLAIMED VICTORY AND STATED THAT SAF NOW IN CONTROL OF "EVEGS INCH" OF FORMERLY CONTESTED TERRITORY IN SOUTH. EMBASSY ASSESSMENT OF IMPLICATIONS OF END OF COORDINATED MILITARY INSURGENCY BEING SUBMITTED BY AIRGRAM; HOWEVER, SUMMING UP IN TERMS OF OMANI RESOURCES, WE FORESEE ONLY A VERY GRADUAL SHIFTING OF FUNDS AWAY FROM MILITARY (MUCH SPENDING DURING 1976-78 WILL BE FOR ALREADY-CONTRACTED ITEMS SUCH AS JAGUAR/RAPIER PACKAGE). HENCE, WHILE WE ANTICIPATE

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MAJOR FOCUS ON INTEGRATION OF DHOFAR INTO NATIONAL ECONOMIC

AND POLITICAL LIFE, THIS WILL COME AT EXPENSE OF PROJECTS IN INTERIOR--PERHAPS EVEN IN CAPITAL AREA, WHICH HAS BEEN MAJOR RECIPIENT HERETOFORE. THIS MAY CAUSE SOME GRUMBLING ON PART OF NON-DHOFARIS BUT IS NOT APT TO GIVE RISE TO ANY MAJOR POLITICAL PROBLEMS IN NEXT TWO YEARS.

3. SOME MEASURE OF THE PREDICTED ECONOMIC RETRENCHMENT HAS OCCURRED. FULL EFFECT NOT YET FELT, SINCE PREVIOUSLY-CONTRACTED CONSTRUCTION STILL GOING FORWARD AT RAPID PACE. NONETHELESS, FEW NEW PROJECTS HAVE BEEN APPROVED SINCE CASH FLOW PROBLEM OF MID-1975, AND THERE HAS BEEN A NOTICEABLE TIGHTENING OF GOVERNMENT FINANCIAL CONTROLS. EVENTUALLY, PACE MAY SLACKEN, AND WE CONTINUE TO BELIEVE THAT AT SUCH TIME EXPATRIATE PRESENCE WILL WANE.

4. THERE HAS BEEN MARKED SHIFT AWAY FROM BRITISH AND TOWARDS U.S. IN SEVERAL FIELDS, THOUGH OVERALL BRITISH LEADERSHIP ROLE IN TRADE AND CONTRACTS CONTINUES TO BE A MAJOR FACTOR IN OMAN. CABLE AND WIRELESS HAS ALL BUT BEEN PUSHED OUT THE DOOR, TO BE REPLACED BY AMERICANS UNDER CONTRACT WITH TELECONSULT. OTHER AMERICAN ENTITIES WHICH APPEARED DURING PAST YEAR IN ADVISORY CAPACITIES ARE TETRA TECH (MINISTRY OF AGRICULTURE, FISHERIES, PETROLEUM AND MINERALS), LOUIS BERGER (ROAD NETWORK), FAA (ADVISERS TO DGCA), AND ARTHUR ANDERSON & COMPANY (DIRECTORATE GENERAL OF FINANCE).

5. SULTAN QABOOS HAS BEEN A BIT MORE VIGOROUS IN MOVING AROUND THE COUNTRY THIS SUMMER AND FALL. HE VISITED MUSANDAM PENINSULA IN MAY AND TRAVELED OVERLAND FROM SALalah TO MUSCAT IN NOVEMBER. HOWEVER, HE HAS SHOWN LITTLE INCLINATION TO RELY MORE ON OMANIS (AS OPPOSED TO EXPATRIATES). AND PROJECTS FOR HIS PERSONAL PLEASURE/USE HAVE MUSHROOMED IN SIZE AND NUMBER: THE ROYAL FLIGHT COMPLEX, ALONG WITH AN ELEGANT RESIDENTIAL AREA FOR STAFF; BEIT AL BARAKAT, A "HUNTING LODGE" ALONG DISNEYLAND LINES; A ROYAL GUEST HOUSE BETWEEN SEEB AND MUSCAT--ALL STAND OR ARE RISING AS NEW, CONSTANT REMINDERS OF ROYAL EXPENDITURES AND OF THE EXPANDING GAP BETWEEN RICH AND POOR IN THIS COUNTRY. YET THERE IS NO EVIDENCE THAT SULTAN'S BASE OF SUPPORT HAS ERODED IN 1975.

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6. MAJOR U.S. INTERESTS: MAJOR INTERESTS REMAIN AS STATED IN REFERENCE (A), PAGE 4. EMBASSY WOULD ASSIGN HIGH PRIORITY TO FIRST, MEDIUM PRIORITY TO THE OTHER TWO.

7. POLICY OBJECTIVES AND COURSES OF ACTION: SECOND POLICY OBJECTIVE DISCUSSED IN REFERENCE (A) IS SOMEWHAT PASSE, WHAT WITH RECENTLY-ANNOUNCED "VICTORY" IN DHOFAR. OTHER OBJECTIVES AND SUGGESTED COURSES OF ACTION REMAIN ESSENTIALLY AS DISCUSSED

IN A-20, WITH EXCEPTION OF FOLLOWING CHANGES OR SHIFTS IN NUANCE:

A. POTENTIAL PFLO THREAT TO STRAITS OF HORMUZ NOW SEEMS REMOTE, AT LEAST DURING NEXT 2-3 YEARS. REMAINDER OF DISCUSSION AND RECOMMENDED COURSES OF ACTION RELATIVE TO FIRST OBJECTION VALID AS STATED IN REFERENCE (A). THERE ARE SIGNS, INCIDENTALLY, THAT OMANGOV IS BECOMING MORE SERIOUS ABOUT GETTING BASQC DEVELOPMENT EFFORT MOVING IN MUSANDAM (ROADS, WATER, HOUSING).

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12-R
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INFO OCT-01 ISO-00 /011 W
----- 016812
R 231226Z DEC 75
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A VEMBASSY KUWAIT 528
AMEMBASSY MANAMA

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B. ALTHOUGH IMMEDIATE THREAT OF PFLO IN DHOFAR HAS BEEN ELIMINATED EXCEPT FOR SPORADIC ACTS OF TERRORISM OR DISRUPTION, INTERESTS SERVED BY SECOND POLICY OBJECTIVE IN REFERENCE (A) REQUIRE CONTINUING CLOSE REVIEW OF OMANI REQUESTS FOR ASSISTANCE RELATED TO INTERNAL SECURITY. PRIMARY CURRENT CASES DEAL WITH MAINTAINING TOW MISSILE PACKAGE, AND THERE IS THE ACTIVE THOUGH SLOW-MOVING PROPOSAL FOR U.S.-BASED TRAINING FOR NAVAL PERSONNEL. ANY NEW REQUESTS SHOULD BE DEALT WITH ON CASE-BY-CASE BASIS. WE SHOULD SHY AWAY FROM PROGRAMS AIMED AT PROCUREMENT OF ADDITIONAL SOPHISTICATED EQUIPMENT. MEASURES AIMED AT UPGRADING BASIC MILITARY SKILLS SHOULD RECEIVE OUR SYM-PATHETIC CONSIDERATION.

C. RE FOURTH OBJECTIVE DISCUSSED IN REFERENCE (A), NEXT 2-3

YEARS LIKELY WILL WITNESS AT LEAST COSMETIC SHIFT AWAY FROM MILITARY SPENDING AND TOWARDS CIVIL DEVELOPMENT. TOTAL AVAILABLE RESOURCES WILL BE SLIGHTLY GREATER THAN ESTIMATED EARLIER, MAINLY DUE TO INCREASED GOVERNMENT TAKE ON PETROLEUM PRODUCTION (MUSCAT 1419). HOWEVER, OVERALL FINANCIAL RESOURCES WILL NOT BE SUFFICIENT TO DEVELOP ALL PARTS OF COUNTRY AND ALL SECTORS OF ECONOMY AT SPECTACULAR RATE OF INFRASTRUCTURE BOOM WHICH HAS BEEN HALLMARK SINCE QABOOS ASSUMED POWER IN 1970. GIVEN AROUSED APPETITES AND FELT NEED TO "KEEP GOING" AT RAPID

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PACE, OMANGOV WILL CONTINUE SCRATCHING AROUND FOR OUTSIDE FINANCING FOR SOME PROJECTS. ALREADY WE HEAR THAT SAUDI ARABIA MAY FINANCE DHOFAR DEVELOPMENT; WE BELIEVE THIS IS ONLY AN EXPRESSION OF HOPE SO FAR, THOUGH OMANIS HAVE GOOD BATTING AVERAGE IN HITTING SAUDIS FOR FUNDS WHEN THEY PUT THEIR MINDS TO IT.

D. REGARDING EXPANSION OF U.S. EXPORTS TO OMAN, RECORD FOR 1975 HAS BEEN IMPRESSIVE. OUR EXPORTS HAVE AT LEAST DOUBLED AND PERHAPS NEARLY TRIPLED TO \$90-100 MILLION RANGE. THIS UN SUCCESS IS A CREDIT TO PRIVATE TRADERS BOTH HERE AND IN U.S. LAG TIME IN CIRCULATING TRADE OPPORTUNITIES, FREQUENT LACK OF INTEREST ON PART OF U.S. SUPPLIERS IN RELATIVELY SMALL MARKET SUCH AS OMAN, AND DELIVERY PROBLEMS SEEM TO HAVE BEEN BIGGEST FACTORS HINDERING EMBASSY/USDOC TRADE PROMOTION PROGRAM. DAY-TO-DAY CONTACT WITH OMANI BUSINESSMEN HAS BEEN MORE PRODUCTIVE IN TERMS OF INCREASING IMPORTS FROM U.S. THAN HAS FORMAL TRADE OPPORTUNITIES REPORTING. LOOKING TO FUTURE, IMPACT OF RECENTLY-TIGHTENED MEASURES DESIGNED TO COUNTER ARAB BOYCOTT WILL BE A DOMINANT CONSIDERATION, BOTH IN TERMS OF PROMOTING EXPORTS AND OF ENCOURAGING U.S. PRIVATE INVESTMENT HERE. OMAN WOULD PROBABLY SHIFT ITS PURCHASING PATTERNS RATHER THAN ABANDON THE BOYCOTT. HENCE, BOTH OUR TRADE AND PRIVATE INVESTMENT OBJECTIVES REALISTICALLY MIGHT BECOME HOLDING OPERATIONS RATHER THAN EXPANSION PROGRAMS, DEPENDING ON HOW USG POLICY IN THIS SENSE DEVELOPS.

E. RELATIVE TO QUESTION OF ENCOURAGING U.S. PRIVATE INVESTMENT IN OMAN, ONLY MODIFICATION TO BE MADE IN REFERENCE (A) IS TO CONSIDER DROPPING COURSE OF ACTION RELATIVE TO CONCLUSION OF OPIC AGREEMENT. OPIC REPRESENTATIVES HAVE SHOWN THEMSELVES SINGULARLY UNINTERESTED IN PURSUING THIS MATTER WITH OMANGOV (E.G., LAST VISIT BY OPIC OFFICIAL WAS CANCELLED ABRUPTLY AS RESULT OF NOT UNCOMMON CHANGE IN AIRLINE SCHEDULE). IN SAME VEIN, EMBASSY HAS QUERIED SOME VISITING U.S. BUSINESSMEN AND FOUND THAT SOME DO NOT KNOW WHAT OPIC IS; EVEN AMONG THOSE WHO DO, ATTITUDE IS OF MILD ENTHUSIASM AT BEST. OUR CONCLUSION IS THAT WHETHER OR NOT THERE IS OPIC AGREEMENT WOULD BE A NEGLIGIBLE MAKEWEIGHT IN REACHING DECISIONS ON INVESTMENT

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8. RESOURCE ALLOCATION:

A. RENTAL OF ADDITIONAL EMBASSY OFFICE SPACE IN MID-75 HAS REMOVED THE PRESSURE ON POST'S PHYSICAL FACILITIES MENTIONED IN REFERENCE (A).

B. TELEGRAPHIC TRAFFIC HAS NOT INCREASED AS RAPIDLY AS ANTICIPATED AT TIME REFERENCE (A) SUBMITTED. ACCORDINGLY, RECOMMENDATION FOR SECOND TCU POSITION IS HEREBY WITHDRAWN FOR TIME BEING.

C. UNTIL IMPACT OF ANTI-BOYCOTT MEASURES CAN BE ASSESSED MORE CAREFULLY, AND IN ABSENCE OF GREATER RESPONSE TO TRADE OPPORTUNITIES, EMBASSY ALSO WITHDRAWS RECOMMENDATION FOR ADDITIONAL COMMERCIAL OFFICER POSITION.

D. HAVING DETECTED NO ENTHUSIASM ON PART OF OTHER GULF EMBASSIES FOR IDEA OF REGIONAL B&F POSITION, EMBASSY HEREBY DROPS THAT SUGGESTION.

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